

EXPORT FOOD AID CONFERENCE III

Kansas City, Missouri

April 10-12, 2001

SESSION B: WHAT ABOUT QUALITY?

The following is a transcript of the April 10, 10:30 a.m. breakout session "What About Quality?" The content has been edited for the sake of brevity and clarity.

MODERATOR: Cathie Johnson, Deputy Director, Procurement and Donations Division, FSA

PANEL MEMBERS: Bill Lyons, SGS; Dean Jensen, FSA; Ken Martin, FSA; Steve Searcy, FSA;
Bob Buxton, FSA

CATHIE JOHNSON:

We are going to talk about Vessel Loading Observation. Ken Martin from the Export Operations Division here in Kansas City is going to cover, within the scope of VLO, export document handling. Steve Searcy is in the Export Debt Branch, Contract Reconciliation Division. He is going to be covering marine losses. Dean Jensen works with me in the Commodity Management Branch in Washington. I kind of forget from time to time where it is I am working now, so please bear with me. He's going to be covering fumigation and micro nutrient information. Bob Buxton is going to cover outturn surveys. He is our Contracting Officer for discharge surveys overseas.

Ground Rules. We have six topics to cover. We are going to run through them in order, in addition to anything else you would like to bring up. We are going to take questions as the subject comes up. If you have questions or comments, as Austen said this morning, please walk up to the microphone and say who you are and what organization you are with. If you want to throw in any other personal information about yourself, that is always welcome, birthdays included. Since we have six topics to go through, VLO, document handling, fumigation, surveys, marine losses and micro nutrients. If you have something to say about a subject, please try to be brief so we have time to get through all of them. I don't think there is anyone in this room that does this kind of thing, but once in a while someone feels very passionate about a subject and tends to want to make a statement that might go on longer than you expect. So let's have a little bit of fun with this. If you see this happening, if you see that someone is getting entrenched, maybe signal me as the moderator that it is getting to be a bit much. That includes the people up here, too. No one is excluded from this rule. Let me know and we will cut it off at that point and keep moving. If you have something that you need to cover and we are not getting to it in the session we will be available all three days. Starting off with VLO. Ken Martin is going to give us a little bit of background.

KEN MARTIN:

My purpose for being on the panel today is to briefly explain the Vessel Loading Observation, commonly referred to as the VLO. I am a marketing specialist assigned to the Export Operations Division of the Kansas City Commodity Office, and it is my responsibility to administer the VLO contracts. The Kansas City Commodity Office, in partnership with the commodity operation staff in Washington, developed procurement procedures in order to deliver the best quality food products to our customers in the most efficient manner possible. Therefore, when our customers complained about significant product losses due to transit damage and because the Kansas City Commodity Office must account for the products purchased and file claims for any domestic losses, USDA implemented the VLO. In general, the purpose of the VLO is to have an independent observer witness the condition of the products before and during loading and to report on any unfavorable

conditions or any product damage to the agent for the recipient, the ocean carrier and the Kansas City Commodity Office.

The desired result is an accurate and clean ocean bill of lading—OBL. The documentation of the shipment is accomplished by the completion of the shipment information log, which is Form KC366. Prior to the use of the shipment information log, shipment documentation was handled by the accumulation of truck and rail bills of lading and dock receipts. The use of this form reduces a significant amount of paperwork for both the Kansas City Commodity Office and the freight forwarders. First, the process begins when the commodity supplier reports a shipment of the product on the shipment information log. Second, at the export terminal, the shipment log is used to document receipt of the product, including any overages, shortages or damages. Third, the shipment log is used by the freight forwarder to document any terminal damage reported by the ocean carrier and any product damage observed by the VLO contractor and agreed to by the ocean carrier's representative. The outcome of this process is an accurate and clean bill of lading. It is also important to remember that the VLO contractor only documents unfavorable conditions and damaged product and does not do an actual load count or survey. So right now SGS is our current contractor and the contract proceeds on through the end of this fiscal year.

BILL LYONS

First of all, I would like to thank Austen Merrick for allowing the opportunity to speak to the session in regard to quality as seen through the eyes of the vessel-loading observers. Since being involved with this program, I have been able to visit most of the major loading ports throughout the USA to inspect food aid cargoes. I have made a number of personal observations, which I think affect quality. After being asked to speak, I first consulted my dictionary just to see what the meanings of “quality” are according to Webster.

1. It is characteristics or attributes of something, its properties or features.
2. The natural or essential character of something.
3. Excellence, superiority.
4. A degree of grade of excellence.

From the VLO standpoint, quality is determined mainly on the visual basis of the condition of the cargo and its packing at the time of loading. Usually from a surveyor's standpoint, the word visual condition is very subjective. It leads to various opinions as to what is acceptable and what is rejectable. However, from the VLO standpoint, this is usually straightforward in that the guidelines have been established by the USDA as to what constitutes acceptable and rejectable cargo. Thus, identifying poorly packed or handled cargo becomes pretty obvious. Identifying the causes, the factors which cause poor quality from a shipping and handling perspective is another story which I will try to clarify in reviewing the VLO procedures.

Step one: Receiving the cargo. For the most part, this is done in port warehouses or at transfer facilities. Cargo normally arrives by rail car or over-the-road truck. One of the critical moments of the transfer is the opening of the doors, because you do not know how the cargo may have shifted in transit, or how the doors were secured on completion of loading. Recently when touring loading operations, I happened to notice the facility was receiving quite a few rail cars. These were being discharged into the warehouse for eventual loading under the program. I watched as the rail car doors were opened and saw that some of the cargo had shifted into the door paths. This is a key moment, as the doors almost had a razor blade effect when being opened and that they sliced the bags, which happened to be in their path. In this case, the damage count had already started before the vessel loading had even begun. I went closer to the rail car and noticed there was a sign on the door that read "Unload Car From Other Side." I concluded that no one noticed the sign when pulling cars into the discharge facility and did not realize that the cars needed to be reversed in order to have a

proper discharge.

Step two: Condition of cargo prior to loading. Prior to the commencement of loading, our inspectors are instructed to perform a general condition survey of the intended cargo. The guidelines for acceptance or rejection, as I already explained, have been pretty much laid out. However, there are other guidelines our inspectors look for that give clues as to the condition of the cargo. Mainly, these are:

1. Cleanliness of the facility.
2. Any signs of rodent infestation or bird droppings.
3. Storage of the cargo. Is it neatly stacked? Is it on dunnage or pallets? Any signs of hydraulic leaks. Alarm bells ring whenever negative aspects of these conditions exist. Any of these items can lead to a detrimental effect on the quality.
4. Our inspectors are instructed to be aware of these conditions as they ultimately affect acceptance or rejection of cargo.

Step three: Condition of the mode of conveyance. After completing the survey of the cargo prior to loading, our inspector then turns to the particular mode of conveyance, whether it be a LASH barge, container or freight bulk vessel. At this juncture, he wants to make sure the particular conveyance is clean, dry and suitable for loading of the intended cargo. Containers with holes or barges with leaking tops would result in damage to products during shipments. Vessel holds that are not clean, free of previous cargo or remnants of such, could create problems that affect the quality of the product shipped. We tell our inspectors that the mode of conveyance is the home for the cargo for a number of weeks or months, and that they are the last one to decide if it is fit.

Step four: The actual loading operations. Once loading starts, our inspectors are looking for general damages that could occur during the transfer. Forklifts sometimes puncture bags or cartons. Machinery used in the handling, whether it be cranes or forklifts, may have a hydraulic leak which makes contact with the cargo. Rough treatment of cargo when hand stowing may break bags. In this regard, our inspectors try to examine the seams and ends of bag cargo to observe if they are glued properly and if they are not leaking. Also, cargo that has been mended needs to be reinspected to make sure it is fit and in now a suitable condition. Weather may change drastically during loading and sudden storms can occur. In these situations, it is the responsibility of the VLO inspector to coordinate with the particular loading superintendent to make sure all the damaged cargo is accounted for and reported accordingly.

Step five: Completion of loading. When loading is completed, the mode of conveyance must be closed properly and sealed in the case of containers. Vessel holes, LASH barges or containers that do not close properly will have obvious effects on quality. At this stage, our inspector and the shipping company representative are to agree on a count, which represents the amount of cargo damage during loading. The key to successful loading of food aid cargo, though, is attitude and spirit. We have noticed a more conscientious awareness of those people handling the cargo in recent months. We feel this translates to a better conditioned product when loaded.

Our inspectors are told that each 50-kilo bag roughly feeds 20 kids a month, and their job is to make sure it gets on the mode of conveyance in good shape. Further, we tell them they should remind the longshoremen and handlers of any irresponsibility in proper handling and that it is in the interest of all to get as much good cargo as possible loaded.

In closing, a cooperative spirit and willingness of all parties involved during loading will have a positive effect on the quality of goods shipped. Thank you.

CATHIE JOHNSON:

Does anyone have any questions on VLO?

JOE HIGHTOWER:

This is Joe Hightower with Litco. I want to make one comment. You had mentioned—and I am not sure where you were when you saw it—about unloading on the other side of the rail car.

BILL LYONS:

It was not at Litco.

JOE HIGHTOWER:

We run across the same thing. Most ports, or at least the ones I have seen, don't have the ability to turn a car. It would have to go back out to the railroad and it would cost about \$600 to get that car turned and brought back in. From the mills, the cars need to be loaded so that either doorway can be unloaded first.

BILL LYONS

I think you make a good point, Joe, because it is very difficult to turn the car around and it should be at the loading facility inland. They have to make provisions so unloading can come out of either door, because it is not practical to switch cars all the time.

KEN MARTIN:

I guess whether or not the VLO is working is a question some people may have. Is it worth the money? Is it doing any good at all? I had a gentleman remark to me this morning that he used to get the damaged product that came from loading. He's not getting nearly as much as he used to, so to me, that is an indication that it is working.

BILL LYONS:

It depends how many gangs are working. As a rule of thumb, if one gang's working, one inspector; two gangs working, one inspector; three gangs, two inspectors. You have at least two inspectors. They are not responsible for the count.

FRANK PIZZATOLA:

Hi. I am Frank Pizzatola with Jacintoport in Houston. Although in the past five years things have really improved, especially in the preparation of rail cars coming to us, door protection is most important. The sign on the door is very helpful ("open other side") except in cases where we have seen signs put on both sides of the car. [Laughter] We don't know which side to open. But it has improved. What we have done is to try and teach the shippers who ship to us to put an additional 15, possibly 20 bags, per rail car. Bags that are slightly torn, we reslip—we put a bag inside of another bag and we re-sew it. It is handled. We are doing the same thing now. We are working very, very closely with SGS. Bill Lyons SGS, Memphis and Dave Goldee SGS, Houston has worked with us quite a bit in reference to the car. But to the steamship line, or to the terminal, the most important thing is our mate's receipt. Your count and my count have to balance. And when your inspector goes off, then I don't have a count on damage bags, it has a reflection at the end of the day on my mate's receipts. But

we finally got that problem solved, and things are starting to work rather well. Count-wise, there is really nothing we can do. I really don't think inspectors can keep up with the count. You just have to accept what the line itself has. But I think damage is being held to a bare minimum now. Thank you.

CATHIE JOHNSON:

No other comments on VLO?

BILL LANG:

Bill Lang with the Commodity Office, Claims Examiner. And there have been a host of questions that keeps recurring and it came up again a few minutes ago as far as the VLO inspector not generating accounts. They are not actually doing a tally. So it may vary by the load port involved, but I would like to hear some comments about where the count information is actually coming from, how it is being relayed to an inspector and maybe go through that process. If someone would speak to that as far as an example, because ultimately you have the ocean bill of lading that has to get cut. We will get to that in a minute.

BILL LYONS:

Basically, what the inspector is doing is getting with the loading superintendent. At the end or beginning of each day saying, "Okay, where's the cargo that you intend to load?" He does his general survey and says, "Okay, these will be rejected," and he will mark them in some form or fashion. All the rejected bags are moved off to the side. If they can be re-mended, he will re-inspect them. At the end of the day, he will say, "Okay, we had 25 bags total damaged." The loading superintendent and my inspector are supposed to agree to that. So if the Form 366 starts off with 10,000 bags, for example, the receiving statement order said there was 100 bags damaged, they have got the count now at 9,900 on the Form 366. Our guy says there are 25 bags damaged. You deduct that from the 9,900. Hopefully, the mate's receipt is issued for 9,875 bags. My inspector is only counting the damage. He's not counting the good bags that go on. It is assumed in the process that the amount received and reported on the 366 as being in good condition is correct.

FROM THE FLOOR

The 366 is the rail bill of lading minus what is damaged coming out of the rail car?

BILL LYONS:

Correct. Did that pretty much answer your question, or was I just trying to open the floor up a little bit to it, if there are any particular ports that have any comments along that line.

STEVE SEARCY:

The question I guess I have for somebody up there, there is a steamship company representative in here and/or freight forwarding company representative here, you know. Bill talks about the KC366 form and that that, for all intents and purposes, replaces the old mate's receipt or consignee's receipt. It takes into consideration what was shown on the rail bill of lading or the truck bill of lading, if it came in by truck, minus whatever damage has occurred during the unloading of the trucks and what goes into the warehouse, and then minus whatever bills people identify as being damaged during the loading process. My question is: Is everyone getting this information who needs to get this information in a timely manner that allows you to get a good accurate number on your ocean bill of lading (specifically the carrier and/or their agent and/or our freight forwarding agents, we being the shippers)? That is my question. Are you getting that information, all of these? Because you don't know what's being put on there unless you have all these documents. We don't have any representatives in here.

HELEN FOSTER:

I am Helen Foster with American Cargo Transport, and while it has improved, Ken and I had long conversations about it when we first started and implemented the policy of making basically the bill of lading match the KC366. There were some major discrepancies and there were some areas of conflict. The biggest being that, at the time that first initiated, we didn't have any kind of communication between the inspectors and the port. There was a great deal of confusion between who was actually representing us as the agent. Was it the stevedore or was it our vessel agent? Well, in reality, it is the stevedore because they are the ones that know what's being put in there, not the vessel agent. That seems to have improved greatly. I think there are still some areas where they are not always communicating, but they seem to be, and mostly, that is from a time delay. They may not come back to the stevedores until the final paperwork is done rather than the work sheets. Some of the work sheets aren't being signed. My own experience is I haven't always received the SGS paperwork prior to the time I am ready to do the bill of lading, and that is more for a confirmation part on my standpoint. There also was some confusion about whether or not I should see the 366 before it was completed. Well, without seeing the 366, I can't really verify what the numbers are, but the freight forwarder was not sure that they were supposed to be releasing that to me at the first go round. That hasn't been the case recently. Now, in the very least, I get the stevedore's 366. So it is an adjustment but it is coming through a little better than I would have expected.

BILL LYONS

Are you talking about a particular port, or among all ports?

HELEN FOSTER:

Among all ports.

CATHIE JOHNSON:

Does everyone know what a KC366 is? There are handouts in the back of the room. I will bring them around as we are talking. I think the second or third page includes a copy of a 366, so maybe it will make a little more sense. No, not in the handouts. Bill or Ken, does anyone have copies of the work sheets of the VLO inspection?

BILL LYONS:

Yes.

CATHIE JOHNSON:

If you need to see that, you can check with Bill afterwards.

KEN MARTIN:

I just happened to be there.

HELEN FOSTER:

The rail car observation isn't part of what you would normally do?

KEN MARTIN:

No. I was surveying the cargo that was getting ready to be loaded, and you couldn't help but notice because it was in the same area.

HELEN FOSTER:

Okay.

RON MAXIM:

Bill, my name is Ron Maxim. I have got a couple comments, both for you and Steve. First of all, hats off to you and Harold Teague for the work that you are doing so far on getting us information we need. Once you get past this quality inspection program and get the forms back out to us we can put them in packages to the forwarders, we can put them in our invoicing packages and we get paid. You have done that in a very professional way. You are bringing that along many steps by centralizing that database and producing those certificates by the NDs. I think is a huge step forward for you and your organization. Steve, in your comment, basically the game plan for the steamship for our operations is to have our warehousing group receive the 366, make his adjustments as you had suggested in the first part of it, receive the overages, shortages and damages, and work (when the cargo comes in) with the VLO observation and then make that final adjustment on the 366.

Once that final adjustment and number has been agreed upon, we will take the 366 and the stuffing reports that we get from the warehouses, put that in a package together, and usually that is gone. The stuffing reports we have got now are coming to us on Excel spreadsheets, so they go on e-mail attachments to the forwarders that need to produce the documents for the bill of lading, and etc. In most cases, we get the 366 completed from the stuffing locations, but not all. So if there is one thing that would be a help, I think, is to identify—let the carriers identify—where those locations are and what the issues are and put that before us so that we could standardize it as best we can. I mean, all of those operations are different somewhat, but at the end of the day, the 366 has got to be complete and our billing documents as well as our bill of lading documents, as well as all the documents supporting that move have to be right. And it is all based on that last final number on the right-hand side of that 366. So that is the only two comments I have about it.

CINDY MONTGOMERY:

Hi. I am Cindy Montgomery with Anchor Fumigation, and I have never seen one of these forms. We always run into a problem with the fumigations because sometimes FGIS counts the bags, sometimes we count the bags, and the numbers never match. It might be in our benefit to get a copy of this from SGS so we can issue the proper certificates on the right bag count.

BILL LYONS:

SGS probably won't see this 366 form. That is not something they do. They are only there to, as we say, look over the cargo. They are not counting it. They are only counting the damage. So the facility where you are going to be doing the fumigation needs to be telling you what is there.

CINDY MONTGOMERY:

Yes, we get that, but a lot of times there is a discrepancy between what the facility has, what FGIS has, and what we have.

BILL LYONS:

Give me an example. When you say FGIS, you are talking about the bag?

CINDY MONTGOMERY:

Federal Grain Inspection Service.

BILL LYONS:

Right.

CINDY MONTGOMERY:

They go with us to supervise the fumigation. In the case of one port authority, they pre-tag it and pre-count it before we go down there, which is really convenient, because then all we have to do is spot check and then recalculate the cubes. But in other port authorities, they are not pre-counted and they are not pre-tagged, and FGIS depends on us for their count for their certification. It is very difficult for us to count this because the pallets themselves can be inconsistent. There can be anywhere from 36 to 42 bags, or sometimes even less, what we call short pallets. And it is hard to get into a lot of these areas to actually count pallets—you can't even get between the stacks. So I am just wondering if there would be a more effective way.

BILL LYONS:

Well, if they actually bag that at the facility, you are talking about the bagging facilities themselves where they are not bringing them in from rail cars, or are you talking about. . .

CINDY MONTGOMERY:

Oh, no. These are the port terminals.

BILL LYONS:

The port terminals?

CINDY MONTGOMERY:

Yes, just about all of it, pre-positioned. So I just wondered if there was another way to go ahead and get the bag count?

BILL LYONS:

If it is unloaded from rail cars, they have got to have a count. And if they are bagging it right there at the facility, they should have a count as well. Someone that is calling you into their facility to do this fumigation has to give you an accurate count, I would think.

CINDY MONTGOMERY:

Yeah, we get that, then FGIS makes us count it, too, or they count it. So there is like three counts.

STEVE SEARCY:

Well, it sounds like if it is going from the rail car into the warehouse and then you come into the warehouse to fumigate that same cargo, the number that shown on the 366 should give you an accurate count. Do you have access to the KC366 that we have been referring to?

CINDY MONTGOMERY:

No, I've never seen one.

STEVE SEARCY:

And who in here can tell me how she can get access to that, because it is not top secret information.

CINDY MONTGOMERY:

A lot of times –(unclear)

STEVE SEARCY:

Yes, a lot of different entities, I am sure.

CINDY MONTGOMERY:

Vessels, normally cargo companies.

STEVE SEARCY

Yes, carriers normally will do that. And they should have a copy of the 366, because their agent is there. Supposedly their agent is there to receive the cargo out of the rail cars and will sign off on the 366 form. In essence, it is the old over, short and damage form. It just identifies how many bags came out of the rail car in good condition, in damaged condition, how many were short in accordance or as compared to the rail bill of lading. So it should have the information you are looking for. But I can't tell you who has that form at that point in time. I think, as you pointed out, the carrier should have that.

CINDY MONTGOMERY:

When in the process does the carrier get it, though? Do they get it just prior to loading the vessel?

STEVE SEARCY:

They should get it right when it comes out of the rail car when the cargo arrives at the port. Right?. Who gets it?

RON MAXIM:

We get the 366—the carrier, I am talking about now—only after the final adjustment has been made and the vessel loading observation has been done. The warehouse or the transload facility will have the 366 because it comes in basically telling the warehouse what's in the cars.

PAUL CACCIATORE:

I am from the Kansas City Commodity Office. On the 366, do you receive this from your freight forwarder?

CINDY MONTGOMERY:

From the receiver of the freight.

PAUL CACCIATORE:

From the receiver of the freight, okay, and only when that form is completed. There is a back side to this form that corresponds to each of these letters—A, B, C, D, E, F and G—which explains just how to complete all this form. The vendor prepares this form at the mill. They prepare this showing what rail cars have been shipped, how many bags are in those cars. That is faxed down to the receiver. The receiver has that and knows what to look for. When it is shipped, a copy is also faxed into the Kansas City Commodity Office, so we know that it has been shipped.

When it is received at the port, the receiver then—for each rail car, and each line item here is a separate

rail car with the number of bags shipped—will record how many bags were over, short and damaged. The net will be deducted from the total shipped. The letter C, the third line, is the number that we use to pay the vendor. If the vendor ships 10,000 bags and 50 are damaged in the rail car before it is unloaded, we pay the vendor for 9,500 bags, because that was received at the port in good order. That then is received pre-alongside, which is the terms of our purchase with the vendor. Then, letter D is that quantity that is identified during the vessel loading observation process. The letter E is other units damaged or short after being received at the port in good condition. The reason that is in there is because the VLO is not a tally. As Ken has said, they indicate how many bags they see damaged. Well, that is a minimum. The VLO damage that is identified is the minimum amount of damage that is there, because the VLO process only identifies the damaged bags. Any other damage that is identified between the time the cargo is received at the port and lifted on to the vessel would be indicated in letter E. So quantity C minus D and E equals the number that should be on the OBL. The receiver then sends into us that copy and that is how we match up the documents.

KEN MARTIN:

Are there any freight forwarders that want to address this issue, because really that is the crux of the matter as far as this 366 form is concerned. The actual reality putting together this form comes from the freight forwarders. They are the ones that get all this information. They get the mate's receipt. They get the quantity that is received. They get the VLO cert, and they are able to put all of these numbers together and come up with a clean ocean bill of lading. I think to answer your question about the bag grain, the steamship company has care and custody of that grain if it is booked. So when it comes into the port they should be the ones that are responsible for giving you, they should be the ones that are responsible. Now, if there is a discrepancy between the quantity between FGIS and – someone is wrong, and I don't know who it is. I am assuming it is going to be up to FGIS, because they counted that stuff coming off the rail car, and that is the count that we are going to use on that 366. No, no, not FGIS, the carrier representatives. That is who actually accepted that cargo. So it would be their figure, I would think, that we would have to use. Does anyone disagree with that?

BILL LYONS:

I may have misunderstood you, Ken, and if I did, please let me know. When the car is unloaded, the stevedore firm that unloads the car is the subcontractor of the vendor?

KEN MARTIN:

Right. If it is a FAS manifest, yes. I am saying after it is unloaded it is under their care and custody.

FRANK PIZZATOLA:

The port receives the cargo on behalf of the steamship line, not for the USDA. We are -- our customer is the shipping line. We receive by contract number and by ND. By ND, you could have as many as five to six NDs under one contract number. The documentation is done on a per-car basis, and this is done on a per-day basis with the steamship line. We let the steamship line know how many cars were loaded that day under the ND, that ND, how many were torn and damaged and the total amount of bags received. That is sent to both the steamship line and the freight forwarder. As the cargo belongs to the steamship line, we do not release that information to anyone else. If a fumigation company was to call us and ask how many bags are under so and so, we would ask them to contact the steamship line. It is their cargo. Once the shipment is complete, 20 rail cars comes in, it would have 20 366 forms behind the contract number, it is completed, and you may have damaged of the 10,000 bags the total amount received, 9,980. You are 20 bags short after that ND, and that is the count, and the freight forwarder and the steamship line know that.

KEN MARTIN:

Right. Different ports, I guess, do things a little bit differently.

PAUL CACCIATORE:

Lake Charles and I basically do the same thing. I don't know how it works. It is a very interesting point. Cargo that is taken at rail Cookville, Tennessee, and goes to Charleston, South Carolina, how do they get an accurate count?

KEN MARTIN:

Who is paying you to unload that rail car?.

. PAUL CACCIATORE:

My price is quoted to the shipper.

KEN MARTIN:

Right, the shipper still has care and custody of that cargo until it is actually off of the railcar. It still belongs to him until you report it in the over, short and damaged.

PAUL CACCIATORE:

That is correct, sir.

KEN MARTIN:

So once it goes on the floor of your warehouse, who does it become the custody of?

PAUL CACCIATORE:

Once it is on the floor of the warehouse, then it is the property of the steamship line.

KEN MARTIN:

So that is, once again, where you should get your figure from, is from the steamship company that hired you to do that.

BILL LYONS:

I think in the ideal world, we would have that information. Once that cargo hits the warehouse floor, we should have that information from whoever we contract to warehouse it, and on a fumigation basis. I haven't been involved in day to day, but we obviously have to give the fumigator the details required for the fumigation. And so it would be one of -- either a combination of the warehouse that is doing the work, or the steamship company that has contracted the warehouse. Between those two, you should get the information you need for fumigation.

LORI TURNER:

I come from a different side, the commodity shipper. I am Lori Turner at ARC Diversified. One of the questions earlier was where to get a copy of the KC366. I have everyone calling me wanting a copy of this. We will have things filed for a month and then I will get calls from people. They want a copy of our shipping log. Another concern I have is we had been told -- and I am hearing you need the shipping log that day -- we were told we could do the shipping log at the end of the shipping period and send it all at one time. In

that case, you are not going to have this from me when you are getting that oil down there at the port to fill out. So what I am understanding from here is you need it on a daily basis, not at the end of the shipping period. And another part that goes along with this, we have nothing that comes back to us other than on our RACH payment that says liquidated damages, or whatever, that shows us exactly how much you received, or how much you had that was damaged. And we need something like that for our records to go against payment verification on that part.

BILL LYONS:

I don't think that that is accurate. I think you need to complete that Form 366 more often than that, and the exact time escapes me. But it is in your announcement for your commodity that you are supplying. It will tell you exactly when you are supposed to submit that form.

BILL LYONS:

And I think it is more often than once the shipping period is done.

LORI TURNER:

As far as us getting a copy faxed back to us so that we have something for our records on stuff that is received damaged, et cetera, especially on anything that is FAS where we are still responsible until it gets unloaded there at the port.

BILL LYONS:

Well, you get paid for it, though. You get paid for your contract. We would come back at a later date if there is any damage and deduct that.

LORI TURNER:

Okay. What I am saying is on our -- receive our payment, we will occasionally have, you know, for damaged a deduction, but we have nothing to back that up.

TIM REAMAN:

Tim Reaman, USDA, Kansas City. I think what you are asking for you can get from your subcontractor, your unloader. If it comes to the Port, he's unloading those. He should have the OS and D information that could come back to you, correct?

BILL LYONS:

Well, that works real well if it is a FAS delivery.

TIM REAMAN:

I am just saying for FAS. That is what she's asking. If it is a plant, that would be there. Now, on intermodal.

BILL LYONS:

That is the big problem.

TIM REAMAN:

But again, the line is responsible for unloading, right, on the inter-modal?

BILL LYONS:

At the destination, yes. When it gets to the destination.

TIM REAMAN:

Intermodal, they unload the railcars.

PAUL CACCIATORE:

Tim is absolutely correct. You can get that from the party that does the unloading. However, when you see a disbursement statement and you see an offset, if there is any question, call the telephone number that is on the disbursement statement. They will be able to tell you exactly what they have done and why they have done it. And if you have any questions with that, you can call me directly, and my name is Paul Cacciatore, and my number is 816-926-6653.

BILL HUDSON:

Bill Hudson, Cal Western Packaging. This is a typical USDA form. If I turn my back this way, nobody is there to protect me from Allen, and if I turn this way I am exposed to Dean Jensen and Ken Martin. [Laughter] Steve, help me out. Show them the finger I broke. I want to know if you are developing any statistics on an experience, or loss experience based on the port, the stevedore or the ocean carrier. Are you developing any statistics about where someone or some industry or segment is creating more of the loss than others?

PAUL CACCIATORE:

I think now, for the first time, we have that data available. I think now -- the way the VLO worked before was that it was on a contract-by-contract basis. So it was very difficult to tie all these numbers together, because the freight forwarders are so intricately involved in getting the bills of lading put together that that information was very difficult to actually accumulate and put together. Now that we are doing it on a ND-by-ND basis and a port-by-port basis, on a shipment-by-shipment basis, we have all that information together. It is there. We haven't done -- at this point in time we haven't done any conscious putting together the numbers, but they are there any time we want to do it.

BILL LYONS:

If you look at one of our worksheets, all the information on the worksheet is entered into a database that goes to USDA. We can identify the three or four different types of damages listed on that worksheet. It is not necessarily what's on the certificates, because we have authored the certificates to have one to represent LASH barges, one for containers, one for freight bulk vessels. Originally, it was one generic certificate until Ken and I looked at it and said it is better to modify the certificates to fit the mode of conveyance. We do have all that entered into a database now.

KEN MARTIN:

What are we going to do with it?

CATHIE JOHNSON:

Let's move on to fumigation. Dean Jensen is going to be covering that for us. As you may or may not know, we had a meeting in Kansas City in December and a number of the players were there. We were looking for the best possible way we could to get clean cargoes overseas, and we all have an interest in doing that. As a

result of branching out from the meeting in December, a task force was put together with AID, FAS, FSA, MARAD, the steamship representative, a fumigator and a port. I think I covered them all. But Dean's going to give us a little bit of a recap of how that has progressed.

DEAN JENSEN:

Yes, I know she did. One of the things that came up are the types of fumigation by conveyance, whether it is LASH barge, containerized or break bulk. And because of the issues in terms of what is the effective kill, what are the procedures for handling containerized conveyances versus barge, versus break bulk to ensure that a proper kill is made at proper temperatures, proper time limits, those types of things. What really kind of propagated the whole fumigation issue was the number of disasters that we had in terms of shipping. Yemeni flour to Yemen arrived infested, a couple of times. After the first one when you try and say, okay, well, that is an unfortunate happenstance. But then when we turn around and send flour back to that same country again and it ended up infested again, well, that really created an international situation, you know. So what we from the department standpoint or from FSA standpoint, the policy was made that all flour produced in the U.S. for export under Title II programs would be fumigated between March 1 and October 31 as our target dates for a mandatory fumigation program to be taking place.

All lots of product have to be fumigated and those types of conveyances whether, like I say, whether it is LASH barge or container or break bulk have their own unique individual particulars on how that conveyance is actually fumigated. So in the development of this task force that was brought together to identify processes and procedures by which we could ensure that the proper level of fumigant was placed into the container for the proper time period at the proper rate and temperature. We are working up some protocols to do that, some processes and procedures that, again, to protect not only the cargo, but give our recipients the assurance that the product is indeed infestation free. That is what the task force that Cathie mentioned is primarily interested in doing is developing those processes and procedures and verifications that the proper fumigant level and time frames were adhered to. All of these suggestions in terms of what the task force has come up with for how each of these conveyances should be monitored and fumigated. One of the things that I would encourage, especially the ports and the shipping people involved on the steamship line end, would do, especially primarily for the break bulk scenario, is identify ways and technologies that you can document and monitor the fumigant level. Do this in a way that can be verified and proven to the recipients that it was indeed subjected to the proper levels at the proper time frames and proper temperatures. What we want to do is avoid a lot of issues where we compound the problem by enforcing, you know, okay, I am going to be back every 24-hour interval until three days have elapsed in order to maintain and be sure that there was a proper kill. I feel on the other hand personally that the steamship line should be able to make that assertion in a documented, verifiable way. Monitors, some type of technology to achieve that type of goal is a protection to you, and it is a protection to the cargo. That is something that we still need to work with the industry some more in verifying what are the alternatives to having an inspector arrive at that port location every day with the fumigator to ensure that the proper level is still under tarp, or in the conveyance.

There again, to provide assurance to our recipients that everything was done and we are not going to have any more infestation problems, at least not at that location for that period of time. It may not cure everything, but it certainly will eliminate a lot of embarrassment in terms of shipping flour overseas. So as you go about -- and this will become more involved as we go along. What are the procedures that are going to be adopted to ensure uniformity between different conveyances. But I would encourage those shippers of those conveyances to give us some recommendations and ideas on how you would recommend that the product be sealed and monitored to ensure that the proper kill level was attained before shipping. In that regard that is

without getting into a lot of the details on some of the recommendations that are coming up. That is primarily it. But like I say, we are in the recommendation phase now. We are working with the trade associations, the shipping companies, the Federal Grain Inspection Service to come up with some alternatives for a standardized processes for ensuring a proper kill is made. We can't afford and the program can't afford too many issues where the product shows up infested again, especially to the same country two or three times in a row. That really gets going. But there again, one of the things that is promulgating the idea of requiring a mandatory fumigation on all flour between March 1 and October 31, obviously, that is our high risk months in terms of insect infestation. But on the other hand, too, looking at the cost, we recognize the costs are going to go up as a result of that mandate. But at the same time, our ability to mitigate the damages overseas if the product shows up infested is often many times more dollars involved than if we do a preventative action here in the United States. That is essentially the gist of the taskforce, what they were looking at was to make sure that each of those conveyances was done uniformly to assure an effective kill and we need to be able to verify that that was done, specifically because countries have received flour infested on more than one occasion, and they don't want to let it out unless they are comfortable and assured that that is not going to be an issue the next time they receive the flour.

JIM SHARP:

The company I am with is a registrant phosphene manufacturer, and we are involved in this committee on writing these regulations. I think we have come up with something pretty good. There is going to be a few tweaks involved in this program that we have set up, but generally, I think it is a pretty good step in the right direction. What we have gone through as being a registrant and a manufacturer over the past few years has been re-registration with the EPA. We almost lost the product, but we have come up with a solution with EPA that is going to be real, real heavy on fumigation management plan. What that is going to consist of is that we get involved with everyone from the ports, to the shippers, to the manufacturers. They have to be aware of the hazards involved. They have to be aware of everything that is pretty much going on with the product. You will probably be seeing a lot of us in the near future. We will probably be going to the ports, real soon and telling them what we need to do to conduct this fumigation management plan. This is going to affect their employees. These employees have got to know to be aware that there could be potential fumigant in that railcar and how to deal with it and have the appropriate people or the appropriate equipment there to deal with the problem. The forklift drivers, they have to be aware of what's going on. This plan is forming now. We should be coming out with this new label in 2002, probably March or April is what we are looking at now. I am sure most of you know that when a product label comes out, that it is a federal law, and you have to do everything that is in that label, and if not, you are breaking a federal law.

As fumigators, we have to step back and look at these labels and these new labels that are coming out on these phosphene products and deal with that. There are going to be some changes. We have come up with some ways that we can keep the cost down. It depends. It is going to be a team effort, from the shippers to the ports. Everyone is going to have to work together to keep the price down and to ensure that we are working in a safe environment.

DEAN JENSEN:

Thank you. One of the things, too, and this is just a recommendation on my part, something else that we might want to try in terms of quality is since this is the nature of this particular breakout. But one of the things that I have been eager to try and maybe those of you from the ports would be willing to work with us in doing this, but we are also looking at some port certification programs under our TQSA program measuring the quality of the various shipping locations. One of the things that we would do with the data that

SGS is collecting, in addition to CARE, Catholic Relief World Food Program, we are working in cooperation with them now to collect a lot of the damage data, by pack size, by port, by shipping conveyance, by shipping company, by stevedore group. They have got it pretty well down to an issue now that we can do analysis on with all of our cooperating partners to do some serious risk analysis in terms of where do we best direct our resources in terms of assuring quality is received by our recipients. So with that, is there any other concerns or issues that anyone has about fumigation? If not, we can move on to the next topic.

CINDY MONTGOMERY:

What was decided about methyl bromide? Are you still going to use it in the program, or is it completely out now?

DEAN JENSEN:

I don't know. Can you answer that one? I am not sure. The fumigant itself, you know, depending on the federal laws and rules as far as how they can be applied and utilized. I understand you are only down to just one or two types of fumigant now. So, no?

CINDY MONTGOMERY:

We still have two. We still have methyl bromide and we still have phosphene.

DEAN JENSEN:

I would suspect methyl bromide is probably going to go on the way out anyhow. If it is still allowable, then it probably is not going to stay the fumigant of choice. But, like I said, the reason that it is important that we have a structure on how all of these fumigation issues are taken care of is because we don't want to be left with no fumigant. If it is mishandled in any way, of course, people tend to overreact real quickly. If there is an accident or something, it could be catastrophic in terms of getting the product fumigated if it is not done correctly. To answer your question 'what is the future of methyl bromide?', I am not sure.

CINDY MONTGOMERY:

Okay. Yeah, no. Because I know that we are supposed to get signed off an exemption for pre-shipment and quarantine use and this would qualify as that. I just wondered, I haven't seen the new specifications or anything and --whether or not we were still using bromide or not.

DEAN JENSEN:

I would assume that any fumigant that is authorized by the EPA and FDA and everything else that it has to be approved by, that that is acceptable to us. We are down to one or two fumigants. The important thing is to make sure that it is done right. We need to have that fumigant to fall back on in the event that we have infestation problems. If we are left with no fumigant to use because it was mishandled or misused in any way, that would definitely come back to hurt the program.

HELEN FOSTER:

Dean, when will you be publishing to the fumigation industry what the specifications are for this program?

DEAN JENSEN:

What we want to do right now, and some of the recommendations have gone forward, is to look at four types for an approval. Some of these are not going to be easy for some of the industry to swallow. The Yemeni

issue, the Yemeni flour, caused a great deal of consternation within our group and within the department as how were we going to stop this from happening again in the future. Because of that little scenario, this has drawn the department and the agency's attention on how were we going to enforce proper fumigation and make sure that it was done correctly, make sure that somebody wasn't opening the hatches before its time, and ensure that we indeed have a proper kill. Verifying from the fumigator's standpoint, are they doing what they say they are doing it at the proper levels, in the proper temperatures and all of those types of things. So there is some self-verification, but in addition there is enough nervousness in the organization right now they want proof. it may be a while yet before anything is cleared up.

LOIC AUPETIT

I am Loic Aupetit from ITS Survey Company. Concerning fumigation, we had problems with insects. What do you think about residues on fumigation to Yemen? That is the first question. The second question, did we ask for a guarantee to the fumigation company where they are fumigating the cargo that no infestation occur at the other side of the ocean? When the fumigator ship loading, do they give any guarantee that if any infestation occurs, again, that we send somebody on site at the unloading port to manage the problem? That is my two questions.

DEAN JENSEN:

I think primarily from the standpoint of what guarantees are out there now, I am not sure in this regard how we would handle that on a contractual basis. This is primarily an arrangement between the steamship company and the fumigator. It is part of the contract in terms of this is a requirement to fumigate flour. One of the issues obviously is that the fumigator can. We can look at it, verify that the concentrations, the temperatures, the time was all met and solve our contractual connection. At the same time they can't necessarily be responsible if a steamship captain should decide to open their hatches to air out the fumigant before it was effectively completed. We have some particular issues in terms of timing and verification that has to be addressed. That is why we are interested in working with ports in terms of identifying their processes and procedures, as you were talking about, from a wide range, you know, of the entire port, their insect and rodent management control programs. How effective is that? Demonstrate that it is effective, you prove that it is effective and, maintain that type of process throughout the shipment of the cargo and then we are good to go. The problem comes up is when the product does get fumigated and ends up showing up infested on the other side.

I don't know what kind of guarantees anything can be of anything other than the steamship company would be held infestation. So that is really from USDA's standpoint, the contractual connection is between us and the steamship company and they would be the responsible party for ensuring that the product was delivered at the final location in a free and clean condition. I don't know that anything could be -- I mean, it would be between the steamship company and the fumigator to settle any issues they might have. And the second question was?

FROM THE FLOOR:

Residues?

DEAN JENSEN:

Okay. Here's my theory about that. Now, it could be that each individual country may have some particular requirements, rules or regulations that they may impose in terms of fumigation residues. If that is to happen, then of course we would have to adhere to that requirement before the product was discharged.

The fumigator has to be aware of those types of issues, too, but until such time as there is a particular mandate, law or regulation that specifically identifies the amount of residue that is allowable or unallowable. You know, we have to operate on the best knowledge of the industry and with the authority agencies. For the most part, you know, what we are looking for is that the fumigant be included in the cargo in a proper and safe manner at the proper kill levels as specified by the manufacturer of that fumigation element. So at 300 parts per million, which is the required fumigation level, that is been determined as the effective kill level, and I assume that it is been accounted for in terms of residue. At this point, there are no further requirements in terms of the residue issue. That is not to say that it won't happen at some time in the future, but I am not aware of any right now.

CATHIE JOHNSON:

Thank you. I have not seen anyone do the cut sign, so I am assuming everyone is enthralled with all of the subjects so far. The next step in ensuring a quality product arrives at its final destination is to conduct an outturn survey, a discharge survey. CCC, USDA arranges for some of those surveys and the PVOs arrange for some of their own. We have got Bob Buxton here, who is the contracting officer for the CCC surveys to talk about how we are handling the ones that we arrange at this time. Bob.

BOB BUXTON:

Thank you. What I would like to do is try to give you an idea of the scope of the work we do at KCCO as far as arranging for survey contracting, and then give you an idea of the volume of work we have. Then we will move on to an explanation of how we actually contract for discharge and delivery surveys. As Cathie said, we do not arrange discharge and delivery surveys for all cargoes purchased by Export Operations Division in the Kansas City Commodity Office. We are responsible for all Food for Progress and Section 416 shipments. Regarding Title II shipments. We do not arrange surveys for the larger PVOs like CARE, CRS, ADRA, Save the Children, and we do not touch World Food Program cargo at all. Basically what that boils down to is a rough idea, a rule of thumb, probably 30 percent of the cargo purchased by Export Operations Division, we are responsible for arranging a survey. Volume, let's talk about that. For fiscal year 2000, we issued 613 work orders covering 613 shipments, and I define shipment as the cargo loaded on board one vessel here in the U.S. covered by one or more OBLs, with the cargo being delivered to one destination overseas.

As I said, we had 613 shipments in fiscal year 2000 and at a cost, a survey cost of a little under \$1.3 million. For the first half of fiscal year 2001, we have had 624 shipments so far at a cost of \$1.7 million. That basically in a nutshell describes what we survey for and our volume. Moving on to the main topic, as far as my presentation here, contracting method. Back in the old days, the U.S. Government contracted strictly on a competitive sealed bid basis and lowest cost wins. That was the rule. That was the law. Recently, however, I don't know exactly the date, I believe 1996, Congress passed a law allowing agencies to use other means of contracting, means other than sealed bidding lowest cost. I guess the reason we changed from competitive sealed bidding to lowest cost are the following: Up until two or three years ago, the cargo volumes for which we were responsible for contracting for surveys relatively speaking compared to today's volume was lower, and very few of the shipments were booked on a through bill of lading basis. Over the last couple two or three years, we have seen the volume mushroom, and the type of shipments, the mode of transportation has also changed. We are seeing more and more shipments being carried in containers on through bill of lading booking basis. Well, when the volume was lower and we weren't shipping cargo on through bills of lading in containers, I guess competitive sealed bidding lowest cost was okay, with the possible exception of perhaps quality issues that Steve will be getting into, or maybe mentioning when he talks.

Our claims people did have some concerns with quality. These other changes in the food aid, shipping environment, the increased volume, the changes in mode of transportation, really compelled us to try to look at contracting in a different way. What we came up with is something we call est. value. What it entails is basically that we look at what we call technical factors in addition to price when we award a survey contract. We are interested in hiring surveyors who are able to cover large geographic areas. Let me back up for a moment. Part of the problem with the food aid shipments we have seen in the past two or three years was an increase in the number of shipments and a change in the type of transportation. We would also see situations where cargo was diverted from one location to another. Prior to the current way we contract, we always awarded surveys on the basis of specific destinations. And I mean by that, specific discharge ports, or specific inland location.

What we found over the years was that that really didn't work well, particularly when cargo was diverted, because then you are crossing contracts, a different survey company may have had the contract for one location versus another location. We found that the best way to handle that is to contract by country. If we do that, then it doesn't matter if the cargo is diverted from one location in that country to another location in that country, based on the circumstances surrounding that particular shipment and the needs of the PVOs. We expanded the scope of these contracts. We also decided to award contracts on an annual basis, rather than on an ad hoc per-shipment basis.

It makes it a lot easier for us to administer the work if we have a surveyor under contract for a particular country for an entire year. Then when a shipment leaves the U.S., all we have to do is issue a work order to the surveyor. So in line with that, when we award an annual contract now, we are looking for surveyors who can cover large geographic areas, entire countries if need be. For example, in Central America, we combine several of the smaller countries in Central America and order the contract for the entire region. We are interested in survey companies who can handle large geographic areas. We are interested in surveyors who are more proactive in liaison with the vessel agents and the PVO contact people, because we are sitting here in Kansas City, Missouri, and these shipments are being delivered half a world away, and I think it is important that surveyors are able to be proactive in that regard.

Specifically the technical factors we evaluate survey companies on are geographic coverage, their experience, training, past performance, and their access to laboratories. Steve may be able to speak in more detail about the result of that. We are six months now into our annual contracts. The last go-round that we ordered in October, all the annual contracts, were rewarded on a best-value basis. Hopefully, since quality is the objective, it has worked out for our claims people. But it is an ongoing process. We are evaluating the performance of the surveyors under this new contracting method, and I expect there may be some changes in the future. That is it for my prepared remarks. I am happy to take any questions anyone has. Thank you.

DAN O'ROURKE:

I am Dan O'Rourke with Control Union. Bob, the next go-round for the tender, is that going to be expanded with the amount of countries that are involved currently? If you know what countries they are, can you divulge that information?

BOB BUXTON:

What we tried to do last October. What we have been doing, as long as we have been awarding annual contracts, is to identify those countries that have a sufficient volume of food aid that we can make the

determination that it would be even worthwhile of a surveyor to have an annual contract for those countries. I think we have pretty well got annual contracts in place for those countries that we think are going to be getting what we consider sufficient volume of food aid. Of course, that can always change. To answer your second question, I am not prepared at this point in time to say yea or nay as far as any other countries we might be awarding annual contracts. We would have to take a look at past history and any information we have regarding future shipments before I can really say anything definite on that.

FRANK PIZZATOLA:

I understand that two shipments left out of the gulf, one via barge service, and the other via container service. I understand the transit times of the cargo was quite lengthy and the acceptance of the cargo by the country was also quite lengthy, I understood in some instances as much as 60 days. I do happen to know that the containers when they left the gulf were fumigated, and so were the barges. We are looking at roughly 90 days, 30-35 days transit time and another 60 days sitting there waiting. Does the host nation or country take any responsibility or liability here?

BOB BUXTON:

Potentially, we could make that argument, that they do hold some responsibility in the proper storage, handling and distribution of that commodity. Unfortunately, some of the politics that come into it -- may be politics, may be reality -- but the fact of it is, a lot of the cargo is going for monetization. Because they will then try to argue that the product was distressed in some way to get a lower price on a monetized product. That may become an issue, too. However, in order to protect the program and to protect your interest as the shipper, one of the things that we have to be able to do--this is why I feel that it is so critical to have an established procedures in terms of how do we verify that the fumigator--number one, it could be said, "Well, maybe they didn't put enough fumigant in there." Yeah, you left the door shut for all that time and blah, blah, blah. In reality, there is no documentation or verification that the fumigator did it at the proper level, at the proper time frame, to affect a clean kill on the insects. So, you know, that was an issue that you brought up when we had the fumigators meeting, too. So, you know, in terms of that type of verification, that is why these programs are being developed or these ideas are being developed. And that is why I say with the aid of the fumigators and the shipping companies techniques and procedures have to be in place where you can protect your own interest by eliminating anything that might have been a potential. That the fumigator didn't put in the proper amount. That the temperature dropped down to 32 degrees tonight instead of tomorrow, yeah, it was 60 degrees, you know. So that variation in time and temperature have a direct impact on the viability of the fumigant agent that is used. So in that regard, that is why I would encourage the fumigators and the shipping companies to identify ways, processes and verification methods that you can assure and demonstrate to the recipients overseas that all of these things were done, saw, verified and proven. So then if it was an issue on their part they didn't properly handle it or store it properly, then we can better narrow define what didn't happen, as opposed to what did happen. Okay?

CATHIE JOHNSON:

I have got someone making a face back here. We are quickly coming to a close of our time, so let's have Steve Searcy cover Marine Losses.

STEVE SEARCY:

Thank you. Thank you very much. My name's Steve Searcy. I am with the government and I am here to help you. It is a required opening statement for us, you know, relatively new government workers. I am in the Export Debt Branch. Our role and responsibility is to monitor the ocean transport of all of the relief

cargoes that go overseas for all of the programs that we have been talking about today. What about quality? Quality impacts us in every phase of all of the activities that must take place in order for these programs to exist. Quality products from the vendor's plant, we have been challenged when the cargo is received overseas as to the quality of the commodity, the acid level of flour being higher than is accepted in a particular country and many other factors like that. That is a big issue for them. They are only concerned about the quality of the commodity that is going to be fed to their people. And, of course, the commodity in accordance, at least so far as we understand with the documents provided to us, which is a clean on-board bill of lading, a clean vessel hold inspection certificate. We have the PHYTO sanitation certificates. We have all of the front side documents to verify for us how much cargo went on board the vessel and the condition the cargo was in when it went on board. And it is signed off by the carrier. So, we are real popular when we come back to the carrier and say, "Well, you know, it appears that all this was good when you got it." But now it is over there, and they won't accept it and all indications are that it does have a high acid level, and we have to figure out who now is responsible for that. Because you may have noticed, and I am sure the carriers will jump in and help me on this, but we are at the end of all of the processes that so many people are working hard to get these commodities overseas. Your vendor produces -- your farmer produces the commodities that the vendors manufacture and refine the products, and you have your packaging specialists and manufacturing companies who provide the packages that have to stand the rigors of ocean transport. Then you have your steamship companies and the stevedores that loaded on the vessels. Steamship companies transporting it over. Stevedores taking it off and the carriers having to deal with the stevedores taking it off. Our surveyors giving us good, quality, accurate information. So we have a lot of variables to consider, but everyone has an impact on the end result of this shipment. And, of course, since the cargo is under the care, custody and control of the carrier, our only avenue for recovery for these losses during the marine transport, of course, is the carrier. Now, that tells me and that also sets up a red flag for the carrier, "I want to be sure that you are giving me good, accurate counts on the vessel loading observation, because if I put on my bill of lading that I shipped 10,000bags, Searcy expects me to discharge 10,000 bags or he's going to hold me responsible. Even if they counted it wrong on the front side. I don't care. You put 10,000 on that bill of lading, that is what I expect to come off." Well, what about my surveyor at the discharge port? Did he count it correctly? Well, that speaks to the issue of Bob's comment earlier about our interest and our adamancy about having good quality survey companies who provide us with good, accurate, detailed information to support our position of an identified loss and asserting liability to the appropriate party. Again, we rely -- we live and die by the survey reports. Oftentimes the carriers will have another surveyor there to protect their interest, to ensure that we have good quality survey companies contracted with to provide us with this off-loading information.

I encourage you to hire the best surveyor you can find, too, so that we should come up with the same numbers. But just like the lady that is leaving now because she's bored with my talk, it is important that we get, you know, that FGIS can count it, they can count it, we get two different numbers. I think if all of us stood alongside a ship and counted the cargoes that came off, we would probably all come up with different numbers. So I know that while we do expect all of the cargo that is loaded on the vessel to be discharged from the vessel in good sound condition as it was provided, reality tells us that there has got to be a variable there for human error. It has to be allowed -- we have to have an opportunity for a little give and take. On short landing losses, we don't provide a lot of give and take, but we do take the fact of the human element into consideration. As far as damage cargo, we are a little less stringent, because there are so many variables that can cause damage. When we deal with -- Bob said they had 624 shipments this year, and he contracts for 30 percent of the shipments for Title II. We get all of those, plus we get all of the other 70 percent that the PVOs are contracting for. So we are involved in a variety of shipments that require our attention and an ongoing dialogue with the steamship companies. We have scenarios that have covered the whole gamut. I hear the concerns in the group

about fumigation. Did they use enough fumigation? Yeah, that is one we have gotten. We got over there and the cargo was infested. And they said we used half enough and yet our people tell us, you know, that is what is required. We are going to rely on our documents to support our position. If we get documents to the contrary from those who are trying to avoid the litigation or reduce the litigation, we will take them into full consideration. We make every effort to resolve all these marine debts on an administrative basis. Failing that, we have an obligation and a regulation that requires us to pursue them through the courts, in federal court, through litigation. We welcome any feedback from the carriers, vendors, all parties concerned on what we can do within USDA to assist you in doing the best job that you possibly can, because it is in all of our best interest to do so.

As Ms. Bertini pointed out, it is a worthy cause that we are all involved in and we want to make sure that as much food as possible gets to these intended beneficiaries, and we appreciate all the hard work that all of you people do to accomplish that goal. Thank you. [Applause]

CATHIE JOHNSON:

Wow, you got applause. I don't know if that was for stopping so soon, or--I hate to do this to you, but I am afraid we don't have time for questions. If you have questions for Steve or anyone on the panel on that issue, please see them during the conference. And Dean has a couple of closing remarks on micro nutrients and then we will escape for lunch.

DEAN JENSEN:

Okay. Just real quickly, some of you may or may not be aware we were involved in a very long, arduous study of micro nutrient content, of Title II commodity, not only grain mixes but vegetable oil. One of the things that I wanted to pass along, as this topic would denote, was on the micro nutrient standpoint. The test results have come back. The studies that have been conducted under USAID and sustain have both indicated that our product has improved significantly in its micro nutrient content, in the stability of the micro nutrients that are utilized, and in the dispersion of the micro nutrients throughout the product. So, essentially, for any of those that were involved in the program, thank you, and we will keep working in that direction to continually improve. But it was a nice report to hear that the samples that were taken overseas have proven to be very effective and showed that our quality is as it is intended to be, at the highest that we can provide. Thank you.

CATHIE JOHNSON:

That is it. Let's go eat. Thank you very much for attending.